

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
ICA-11 EB-08 TRSE-00 COME-00 OES-07 /093 W
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R 030002Z APR 78
FM AMCONSUL HONG KONG
TO SECSTATE WASHDC 9711
INFO AMEMBASSY BANGKOK
CINCPAC
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY MOSCOW
AMEMBASSY PARIS
USLO PEKING
AMEMBASSY SEOUL
AMEMBASSY SINGAPORE
AMEMBASSY TAIPEI
AMEMBASSY TOKYO
AMEMBASSY VIENTIANE

C O N F I D E N T I A L SECTION 1 OF 2 HONG KONG 4114

CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: PINT, PEPR, ECON, CH, US
SUBJECT: A LOOK AT CHINA AFTER THE NATIONAL PEOPLE'S CONGRESS

SUMMARY. U.S. INTERESTS WOULD BE BEST SERVED BY A CHINA WHICH IS
NEITHER SLIPPING DOWNHILL TOWARD COLLAPSE AND FRAGMENTATION,
NOR RAPIDLY CHARGING UPHILL TOWARD REAL SUPERPOWER STATUS. BY THESE
LIGHTS, THE PICTURE DEVELOPING IN CHINA IN RECENT MONTHS IS
REASSURING. PROSPECTS FOR STABILITY SEEM THE BEST THEY HAVE
BEEN IN OVER TEN YEARS. WHILE MODERNIZATION IS ON TRACK,
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PROGRESS WILL BE SLOW, AND THE ENORMOUS EFFORT REQUIRED WILL
ABSORB MOST OF THE COUNTRY'S ATTENTION AND RESOURCES.
REQUIREMENTS OF THE MODERNIZATION PROGRAM SHOULD REINFORCE
CURRENT FOREIGN POLICY PRIORITIES BASED ON CONCERN OVER
SOVIET INTENTIONS, WHILE ENHANCING THE ROLE OF TRADE AND
OTHER INTERNATIONAL EXCHANGES. IN CHINA'S GENERAL OPENING TO
THE OUTSIDE, A GROWING APPRECIATION OF THE MATERIAL BENEFITS --

AS WELL AS CONTINUED AWARENESS OF THE GEOPOLITICAL ADVANTAGES --
DERIVED FROM A SATISFACTORY RELATIONSHIP WITH THE U.S.
SHOULD CONTINUE TO PRODUCE A GRADUALLY
MORE COOPERATIVE PRC ATTITUDE TOWARD US EVEN IN
THE ABSENCE OF COMPLETE NORMALIZATION. END SUMMARY.

1. CHINA STILL FACES A MAJOR TASK IN CREATING THE CONDITIONS
FOR A SUSTAINED DEVELOPMENT EFFORT IN PLACE OF THE FITFUL,
PIECEMEAL GROWTH AMIDST RECESSION AND POLITICAL TURMOIL
CHARACTERISTIC OF MAO'S LAST TEN YEARS. BUT THE COUNTRY HAS
COME A LONG WAY IN THE LAST FEW MONTHS, REMARKABLY FAST AND
WITH REMARKABLY LITTLE FUSS.

2. ORDER AND DISCIPLINE HAVE BEEN RESTORED FOR THE MOST PART
AND INDUSTRIAL PRODUCTION IS RISING AFTER A THREE-YEAR SLUMP.
THE LEADERSHIP HAS MADE A LONG-TERM COMMITMENT TO ECONOMIC
GROWTH AND IS MOVING RAPIDLY TO RESTORE POLICIES AND INSTITU-
TIONS THAT WORKED WELL IN FOSTERING ECONOMIC GROWTH BEFORE
THE CULTURAL REVOLUTION.

3. THIS SWIFT CHANGE OF DIRECTION WITH FAR-REACHING IMPLICA-
TIONS RESTS IMPORTANTLY ON AN OVERWHELMING POPULAR CONSENSUS
AGAINST THE EXCESSES OF THE PAST TEN-TWELVE YEARS, WITH THEIR
DELETERIOUS EFFECTS ON THE LIFE OF THE NATION AND INDIVIDUALS.
THIS CONSENSUS FACILITATED THE RETURN TO POWER OF THE OLD
CADRES WHO BENEFITED FROM ASSOCIATION WITH PAST SUCCESS,
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MARTYRDOM AT THE HANDS OF THE "GANG OF FOUR" AND THE BACKING
OF COLLEAGUES WITHIN THE POWER STRUCTURE, PARTICULARLY THE
MILITARY, WHO MANAGED TO WEATHER THE CULTURAL REVOLUTION AND
LATER STORMS.

4. PERSISTING LEADERSHIP TENSIONS APPEAR CONTAINED, AT LEAST
FOR THE TIME BEING, IN A FRAMEWORK OF POLICY UNITY. THE OLD
GUARD AROUND TENG HSIAO-PING IS DEMANDING THE PROBABLY WILL
GET A WIDER PURGE OF CULTURAL REVOLUTION BENEFICIARIES, BUT
WE CAN SEE NO IMPERATIVE AND INDEED NO ADVANTAGE FOR THE OLD
GUARD TO MOVE AGAINST HUA KUO-FENG. HE AND HIS PRESUMED
ALLIES IN THE POLITBURO HAVE NOT APPEARED AS OBSTACLES TO
RAPID CHANGE, AND BECAUSE THEY APPARENTLY DO NOT HAVE MUCH
OF A POWER BASE, THE GROUP WOULD SEEM TO POSE NO THREAT NOW
TO THE PERSON AND POLICIES OF TENG AND HIS ASSOCIATES.
MOREOVER, HUA BENEFITS FROM HAVING BEEN ANOINTED BY MAO AND
FROM HIS CONTRIBUTION TO THE DOWNFALL OF THE "GANG OF FOUR"
AS A RELATIVELY YOUNG MAN, HE ALSO EMBODIES THE
PROMISE OF POLICY CONTINUITY WHEN THE OLD MEN NOW RUNNING
THINGS HAVE PASSED ON. HUA'S PROSPECTS FOR THE LONG RUN ARE
AN OPEN QUESTION, OF COURSE. WITH THE POSITIONS HE HOLDS,
ESPECIALLY THE PARTY CHAIRMANSHIP, THE STILL LARGELY ENIGMATIC

HUA COULD IN TIME DEVELOP HIS OWN STRONG POLITICAL BASE,
BUT FOR NOW THE CONDITION FOR DOING SO IS COOPERATION WITH
TENG.

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C O N F I D E N T I A L SECTION 2 OF 2 HONG KONG 4114

CINCPAC FOR POLAD

5. THE REEMERGENCE OF THE OLD ORDER TO POPULAR ACCLAIM DOES
NOT MEAN SMOOTH PROGRESS FROM HERE ON TOWARD A POWERFUL,
PROSPEROUS STATE BY THE END OF THE CENTURY. PERCEPTIBLE
PROGRESS TOWARD THAT GOAL IS POSSIBLE AND POLITICALLY
INDISPENSABLE. TO EXPECT MUCH MORE, HOWEVER, IS TO EXPECT
TOO MUCH OF LEADERS STRIVING BOTH TO GOVERN AND DEVELOP THIS
HUGE, BACKWARD, OVERPOPULATED COUNTRY, STILL IN SOME RESPECTS
MORE AN EMPIRE THAN A MODERN NATION-STATE. THE TENSIONS WITH
WHICH MAO SO MUCH CONCERNED HIMSELF BETWEEN THE CENTER AND
PROVINCES, BETWEEN WELL-OFF AND POOR REGIONS, BETWEEN CITIES
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AND COUNTRYSIDE, BETWEEN ELITES AND THE MASSES, WITHIN ELITES, AND BETWEEN GENERATIONS HAVE NOT GONE AWAY. DEEPLY ROOTED XENIPHOBIA AND FACTIONAL AND BUREAUCRATIC STRAINS WITHIN THE CHINESE BODY POLITIC STAND AS EVER-PRESENT THREATS TO PROGRESS. SOME OF THESE TENSIONS ARE BEING AND WILL BE EXACERBATED BY DECISIONS THE REGIME HAS MADE AND WILL BE MAKING ON THE MOST PRODUCTIVE USE OF SCARCE RESOURCES. NEW PROBLEMS OF MOTIVATION, DISCIPLINE AND IDEOLOGICAL DIRECTION MAY ARISE FROM OPENING UP THE COUNTRY EXTENSIVELY TO TOURISTS AND OTHER FOREIGN INFLUENCES.

6. AGRICULTURE IS WELL PAST THE POINT OF DIMINISHING RETURNS FROM LABOR INTENSIVE METHODS, AND THE INITIAL STAGES OF FARM MECHANIZATION WILL NOT ALTER THE BASIC RELIANCE ON HUMAN AND ANIMAL LABOR. A LONG TIME AND ENORMOUS CAPITAL EXPENDITURES WILL BE REQUIRED TO MODERNIZE FARMING. CAPITAL REQUIREMENTS FOR THE PROJECTED INDUSTRIAL GROWTH ARE LIKEWISE ENORMOUS. TO RAISE THAT CAPITAL MAY REQUIRE "REVISIONIST" MEASURES -- SUCH AS ACCEPTING SOME FORM OF LONG-TERM FOREIGN CREDITS -- GOING BEYOND THOSE ALREADY ANNOUNCED.

7. IT WOULD BE PRESUMPTUOUS TO PREDICT HOW SUCCESSFUL THE PRESENT GENERAL APPROACH WILL BE IN OVERCOMING THESE AND OTHER PROBLEMS. PERSISTENCE ALONG PRESENT LINES FOR THE NEXT FEW YEARS SEEMS ASSURED BY THE IMPERATIVE OF DEVELOPMENT. ONE THING THE CULTURAL REVOLUTION DID, FOLLOWING THE GREAT LEAP, WAS TO WRITE FINISH TO THE ABILITY OF THE REGIME TO RELY VERY MUCH ON IDEOLOGY FOR MOTIVATING THE CHINESE. EVENTS HAVE CLEARLY DEMONSTRATED THAT DEVELOPMENTS RESTS ON TECHNOLOGICAL AND ORGANIZATION CAPABILITIES AND ON SYSTEMS OF REWARDS AND PUNISHMENTS RATHER THAN EVANGELICAL METHODS. AN INCREASINGLY IRRELEVANT GREAT BANNER OF CHAIRMAN MAO WILL CONTINUE TO WAVE OVER CHINA. APPEALS TO MARXIST MORALITY AND

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TO IDEALISM AND NATIONALISM WILL CONTINUE TO BE A FEATURE OF THE CHINESE SCENE. IDEOLOGICAL ARGUMENTS WILL, OF COURSE, STILL FIGURE IN COMPETITION FOR POWER AND IN PUBLIC DEBATE OVER POLICY. BUT THE CURRENT LEADERSHIP IS CLEARLY ON A PATH WHERE RESULTS COUNT HEAVILY AND PERHAPS MOST IMPORTANTLY. IT IS CONFRONTED BY A DISILLUSIONED POPULACE SIMILARLY CONCERNED WITH RESULTS -- BUT RESULTS MEASURABLE AGAINST INDIVIDUALS' MATERIAL AND CULTURAL NEEDS. THE COMBINATION HAS ALREADY PRODUCED SURPRISING CHANGE AND MORE MAY YET BE IN STORE.

8. A HAPPIER LEGACY OF MAO'S LAST YEARS THE COUNTRY'S
HIGHLY PRAGMATIC FOREIGN POLICY, NOW PERHAPS MORE THAN EVER
PREMISED ON CHINA'S NEED OF A PEACEFUL EXTERNAL ENVIRONMENT
IN ORDER TO GET ON WITH THE JOB OF MODERNIZATION. THE BASIC
POLITICAL GAME REMAINS DIPLOMACY ON THE CHEAP, PROMOTING A
UNITED FRONT AGAINST THE SOVIET UNION, AND ALSO ATTEMPTING
TO RECAPTURE CHINA'S PRESTIGE OF THE BANDUNG ERA. NOW,
HOWEVER, WITH UTILITARIANISM DOMINATING DOMESTIC POLICY
FOREIGN RELATIONS CAN SERVE MODERNIZATION MUCH MORE DIRECTLY
AND OPENLY. THE RESULT IS FRANKER EMPHASIS ON DEVELOPED
COUNTRIES WHOSE CAPITAL GOODS AND TECHNOLOGY TRANSFER WILL
BE INCREASINGLY IMPORTANT IN THE CHINESE SCHEME OF THINGS.
ONE OBVIOUS PRODUCT OF THIS APPROACH IS THAT LACK OF NORMAL
SINO-U.S. RELATIONS HAS BECOME LESS OF A CONSTRAINT ON
CHINESE DEALINGS WITH US. THOUGH IT MAINTAINS ITS TERMS
FOR FORMAL NORMALIZATION, PEKING INCREASINGLY SEEMS MORE
INTERESTED IN CONSOLIDATING THE RELATIONSHIP FOR THE
GEOPOLITICAL AND POTENTIALLY MAJOR ECONOMIC AND TECHNOLOGICAL
BENEFITS IT WILL BRING CHINA THAN IN PUSHING FOR COMPLETION
OF NORMALIZATION.
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